Report

of the

Examination of

Chiropractic Services Network, Inc.

Appleton, Wisconsin

As of December 31, 2000

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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September 21, 2001

Honorable Connie L. O'Connell
Commissioner of Insurance
Madison, Wisconsin

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

CHIROPRACTIC SERVICES NETWORK, INC.
Appleton, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

Chiropractic Services Network, Inc (CSN) was licensed December 21, 1994. The current examination covered the intervening period ending December 31, 2000, and included a review of such 2001 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the LSHO's operations, and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Provider Contracts
Territory and Plan of Operations
Growth of the LSHO
Financial Statements
Accounts and Records
Data Processing
Enrollee Complaint Procedure
Underwriting

Emphasis was placed on the audit of those areas of the LSHO's operations accorded a high priority by the examiner-in-charge when planning the examination.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the LSHO's operations is contained in the examination work papers.

The LSHO is exempt from being annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

The Chiropractic Services Network, Inc. can be described as a for-profit individual practice association (IPA), model limited service health organization (LSHO) insurer. A LSHO insurer is defined by s. 609.01 (3), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, a limited range of health care services performed by providers selected by the organization." Under the IPA model, the LSHO provides care through contracts with otherwise independent physicians operating out of their separate offices. LSHOs compete with traditional fee-for-service health care delivery.

The LSHO was incorporated December 27, 1994, and commenced business December 27, 1994. The LSHO is owned by a group of four independent Chiropractors and the company President.

CSN's principal purpose is the ownership and operation of a capitated chiropractic services insurance plan as a limited service health organization. The insurance plan that they administer is a capitated arrangement under which CSN is paid a fixed administrative fee. The panel chiropractors agree to accept payment for covered services from a capitation pool that is based on a per member per month contribution from premium collected each month. CSN does not require enrollees to choose a primary care provider.

CSN currently contracts with approximately 520 chiropractors in Wisconsin. Of this 520, CSN is currently bringing business to, and recredentialing approximately 250 of these chiropractors. Under the terms of the contract, the provider agrees to accept as payment in full for services rendered to a patient the lesser of a) the provider’s charge for the service, or b) the amount set forth on the fee schedule of the patients insurer less any coinsurance or deductible noted in the plan, and /or less any coordination of benefit reimbursement. The provider agrees that CSN will not be liable for payment of any charges for covered services and/or any other services whatsoever provided to any patient. The provider shall not accept or attempt to collect payment, or otherwise be compensated for services rendered in excess of the amount that the provider is entitled to receive. However, the provider may collect any applicable co-payments or deductibles and any reasonable, necessary, usual and customary charges for services that are not covered.

The initial term of the contract is one year. The contract will automatically renew every year unless terminated. Either party may terminate agreement on at least 90-day notice prior to the next termination date. Either party may terminate the contract on 30 days prior written notice in the event of breach of contract. CSN will have the right to terminate the agreement immediately by written notice upon a) the termination the provider's license, or b) the suspension of the provider by Medicaid or Medicare for program related violations. CSN may also terminate the contract if the provider contracts with another insurer or is unable to maintain his/her credentials.

CSN contracts with Touchpoint Health Plan, Inc., a Wisconsin stock insurance corporation, for the provision of chiropractic services to 112,013 of Touchpoint's members. There are hold harmless provisions covering both parties. CSN contracts with chiropractors who agree to provide covered services to members in exchange for a per member/per month capitation. It also provides services such as credentialing, quality improvement, utilization management, member rights and responsibilities and medical records. CSN maintains the medical records being reviewed for compliance with the company's record keeping standard and for medical necessity by licensed chiropractors and the financial and administrative records and accounts. Touchpoint also pays a fee in the annual amount of $146,808 payable in equal monthly installments of $12,234 to cover administrative costs. This fee is adjusted each year based upon increases in the Consumer Price Index. In addition, CSN may assess up to 5% of the monthly capitation for general administrative expenses.

CSN also contracts with other chiropractors to provide services to all or some of the Touchpoint enrollees. The terms of such agreements are similar to the provider agreements described earlier.

There is a service agreement between Employee Benefit Claims of Wisconsin, Inc. (ECB) and CSN where ECB is paid $100.00 an hour to review CSN chiropractors notes. This is basically a peer review process.

There is a service agreement effective September 19, 1999 between Accountable Health Plans, Inc. and Chiropractic Services Network, Inc. This contract allows CSN to contract with Chiropractors in Wisconsin for participation in the provider network of Accountable Health Plans, Inc. (AHP). AHP is a Preferred Provider Organization (PPO). PPO's are networks of health-care providers such as physicians, hospitals and other types of medical service providers, who offer their services to insurers and self-insured employer groups at pre-negotiated rates.

The company entered into an agreement to provide services for chiropractic treatment to employees of Wigwam Mills, Inc. CSN agrees to contract with chiropractors to treat employees, and bill the employer based upon the number of single employees and families covered. CSN calculates and pays monthly capitation fees to participating Chiropractors. The contract began on 1/1/1998 and continued for an initial term of 10 months through10/31/99. Thereafter the contract will be negotiated through agreement between Wigwam and its bargaining unit. Either party may terminate this agreement upon 90 days written notice to the other party for any cause.

The LSHO offers a limited range of health care coverage that may be changed by riders to include deductibles and copayments. Basic health care coverages provided include office visits and other treatments within the scope of a chiropractor license. Coverage is contingent on services being provided by contracted chiropractors.

The LSHO currently markets to groups only. The LSHO does use outside agencies. This business amounts to approximately .01% of the company's business and is comprised the Wigwam group.

The LSHO determines premium on a per member per month contribution from Touchpoint HMO and the Wigwam group. This rate is not adjusted to reflect the age, sex, occupation, and coverage characteristics for new groups. Experience is not reviewed by CSN for renewal groups, however, the company president stated that this information is reviewed by the

HMO and the various employers and, based on the review, a recommendation is made regarding adjusting the rate. The base rate is adjusted yearly for inflation and other trending factors.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. The five directors are elected annually to serve a one-year term. Officers for the board are elected at the board's annual meeting. The board members currently receive no compensation for serving on the board. However, chiropractors on the board are paid $15,000.00 dollars a year for professional committee fees.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Michael W Fletcher Oshkosh, Wisconsin	Chiropractor	2001
Tim E. Higgins Appleton, Wisconsin	President of CSN	2001
Glenn P. Higgins Appleton, Wisconsin	President Electroline, Inc.	2001
Chris D Resch Neenah, Wisconsin	Chiropractor	2001
Peter J. Schubbe Appleton, Wisconsin	Chiropractor	2001

Officers of the LSHO

The officers appointed by the board of directors and serving at the time of this examination are as follows:

Name	Office	2000 Compensation
Tim E. Higgin	President	$109,000
Peter J. Schubbe	Vice President	No Compensation
John D Schubbe	Secretary	No Compensation
Chris D. Resch	Treasurer	No Compensation

Committees of the Board

The LSHO's bylaws allow for the formation of certain committees by the board of directors. There were no Committees of the Board at the time of the examination are listed below:

The LSHO has its own employees. There is one full time employee. The other 4 part-time employees report directly to the President of the company. Due to the size of the company, the organizational structure does not clearly delegate responsibility for the major functional areas. Management represented that duties are assigned to each person employed by the company, and that everyone is cross-trained to some extent.

There was one employment agreement covering the company president at CSN. It ran from January 1,1995 through December 31 1997. The agreement states that the employer shall, thereafter, continue to employ Employee for such a time as employer is in need of, or desirous of, the services of Employee.

The salary included in the contract was as follows:

Period	Amount
Prior to 12/31/94	none
1/1/95 – 12/31/95	$75,000
1/1/96 – 12/31/96	$75,000
1/1/97 - 12/31/97	$75,000 plus additional salary as negotiated between parties.

The employer agrees to provide additional compensation in the form of sales commissions, incentives and performance bonuses as the party may agree from time to time. The agreement also provides for health and disability insurance for the employee. There is a $300.00 co-payment for employee, and co-insurance that will not exceed 80% with aggregate limits of $2,000,000.

Financial Requirements

The financial requirements for an LSHO under s. Ins 9.04, Wis. Adm. Code, are as follows:

		Amount Required
1.	Minimum capital or permanent surplus	Not less than $75,000
2.	Security deposit	Each LSHO is required to maintain a deposit of securities with the state treasurer or an acceptable letter of credit on file with the Commissioner's office. The amount of the deposit or letter of credit shall not be less than $75,000. The letter of credit must be payable to the Commissioner whenever liquidation or rehabilitation proceedings are initiated against the LSHO.
3.	Compulsory surplus	Not less than the greater of: 3% of the premiums earned by the LSHO in the previous 12 months or $75,000 The Commissioner may accept the deposit or letter of credit under par. 2. to satisfy the compulsory surplus requirement if the LSHO demonstrates to the satisfaction of the Commissioner that all risk for loss has been transferred to the providers.
4.	Security surplus	The LSHO should maintain a security surplus to provide an ample margin of safety and clearly assure a sound operation. The security surplus should not be less than 110% of compulsory surplus.
5.	Operating funds	Funds sufficient to finance any operating deficits in the business and to prevent impairment of the insurer's initial capital or permanent surplus or its compulsory surplus.

An LSHO, which provides hospital services, must demonstrate that, in the event of insolvency, enrollees hospitalized on the date of insolvency will be covered until discharge. This does not apply to this LSHO.

The LSHO is provided with corporate insurance coverage under the contracts listed below:

Type of Coverage	**Policy Limits**
Professional liability	$1,000,000 with a $5,000 deductible.
Directors and Officers coverage	$1,000,000 with a $5,000 deductible.

IV. FINANCIAL DATA

The following financial statements reflect the financial condition of the LSHO as reported in the December 31, 2000, annual statement to the commissioner of insurance. Also included in this section are schedules that reflect the growth of the LSHO for the period under examination. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Net Worth per Examination."

Chiropractic Services Network, Inc.
Assets, Liabilities and Net Worth
As of December 31, 2000

Current Assets:		
Cash		$247,435
Notes Receivable-Uplink		1,500
Total current assets		$248,935
Property and Equipment--Net:		
Furniture and equipment		56,814
Total property and equipment		56,814
Total Assets		$305,749
Current Liabilities:		
Accrued Committee Fees	$40,000	
Payroll and State Taxes	22,996	
Prepaid Revenue	260,335	
Total Liabilities		323,331
Net Worth:		
Common stock	1,000	
Contributed capital	149,013	
Retained earnings/fund balance	(167,595)	
Total net worth		(17,582)
Total Liabilities and Net Worth		$ 305,749

Chiropractic Services Network, Inc.
Statement of Revenue and Expenses
For the Year 2000

Revenues		
Risk Revenue	$1,302,099	
Net Investment Income	6,059	
Provider Contracting Fees	230,151	
Total revenue		$1,538,309
Provider Expenses		
Professional services	$1,369,667	
Administrative Expenses:		
Total Administrative Expenses	290,845	
Total expenses		1,660,512
Net Income/(Loss)		$(122,203)

Chiropractic Services Network, Inc.
Statement of Net Worth
As of December 31, 2000

Net worth, beginning of year	$104,621
Increase (decrease) in retained earnings/fund balance:	
Net income (loss)	(122,203)
Net worth, end of year	$(17,582)

Growth of LSHO

The following schedules reflect the growth of the LSHO during the examination period:

Year	Assets	Liabilities	Net Worth	Risk Revenue	Medical Expenses Incurred	Net Income
1996	$ 97,020	$ 2,119	$ 94,901	$1,100,681	$ 974,448	$ 19,353
1997	100,814	2,109	98,705	1,375,995	1,254,405	6,648
1998	122,369	1,770	120,599	1,516,250	1,382,065	28,103
1999	111,408	6,788	104,620	1,545,494	1,334,884	(1,725)
2000	305,749	323,331	(17,582)	1,538,309	1,369,667	(122,203)

Enrollment for the years under examination:

Year	Members
1996	68,974
1997	96,838
1998	97,202
1999	137,914
2000	109,795

These totals reflect only Touchpoint enrollment. The Wigwam capitated chiropractic plan, which was established in 1998, includes another 300 –325 members.

The drop in Touchpoint enrollment between 1999 and 2000 was attributed to Aurora pulling its doctors out of the Touchpoint HMO products in the Green Bay market. This prompted some employers to change their plan offering to a Touchpoint Preferred PPO because these employees wanted a managed care plan with access to both the Aurora MDs and the rest of the Touchpoint Preferred provider panel

The increase in liabilities was due to two things;

First, CSN changed its administrative fee assessment for 2001. Instead of receiving the fees in each month in 2001 they billed participating chiropractors for the amounts due in 2001 in 2000. These prepaid fees were reflected as a liability. Second, some of CSN's Directors are also chiropractors. Since CSN was established these chiropractors have donated professional services at no charge. In 2000 the company had funds to pay for the services that these chiropractors provided. This change was not determined and approved by the Board until the last meeting of the year that was held in late December. As a result, the Professional Committee Fees of $40,000 earned in 2000 were paid in 2001. This delay resulted in a liability on the 2000 annual statement.

The recent change in profitable trends is due to several factors. Total administration expenses increased 30% in 2000, from $212,335 in 1999 to $290,845. The increase is due primarily to the $40,000 in fees paid to the directors and a $34,000 bonus paid to the president. At the same time enrollment decreased approximately 20%, from 137,914 in 1999 to 109,795 in 2000.

Reconciliation of Net Worth per Examination

The following schedule is a reconciliation of net worth between that reported by the LSHO and as determined by this examination:

	Increase	Decrease	
Net worth December 31, 2000, per annual statement			$(17,582)
Accrued Consulting Fees		$ (5,000)	
Accounts Payable		(21,852)	
Net increase or (decrease)			(26,852)
Net worth December 31, 2000, per examination			$(44,434)

V. SUMMARY OF EXAMINATION RESULTS

Summary of Current Examination Results

History and Plan of Operation

It was noted during the examination that a portion of CSN's business is comprised of a contract with Wigwam Mills, Inc. Under this agreement, CSN annually determines the monthly fee necessary to cover the cost of chiropractic services rendered by participating chiropractors to employees and their families. CSN bills Wigwam each month for the premium. In this scenario CSN assumes the risk. It is recommended that, in the future, CSN should report the monthly contribution from Wigwam Mills, Inc. as premium.

Conflict of Interest

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflict or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. The company has not adopted such a procedure for disclosing potential conflicts of interest. It is recommended that the company adopt a system for conflict of interest disclosure, that conflict of interest questionnaires be completed annually by officers, directors, and key employees, and that completed disclosure forms be retained in company records from examination to examination.

Management and Control

The company's articles of incorporation and bylaws were reviewed for compliance with the rules and regulations of the state of Wisconsin. It was noted that the company had not filed any amendments to its bylaws and articles of incorporation.

Board meetings appear to be held in compliance with the Articles and Bylaws. It is difficult, if not impossible, to determine the extent of the activity of the board of the membership. Roll is not taken at any of the meetings making it difficult, if not impossible, to determine whom is in attendance at the meetings.

All board-meeting minutes illustrate that the members are aware of the financial condition and other matters concerning the company. Although the minutes are not detailed in their descriptions, each of the summaries of the minutes begins with a discussion of the cash situation and upcoming expenditures. The summaries also highlight certain scenarios that require action by the board. The problem with all of this is in determining what, if any, actions were taken. For instance, during the 8/22/01 board meeting it was noted that action was required from the board around the dissolution of the company's billing process server. The accompanying notes do not include a narrative that indicates what transpired during this board meeting in regards to this business, and roll is never taken so one is never sure just who is in attendance. This made it impossible for the examiner to determine whether a quorum was present for the annual meeting. The company's bylaws provide that a majority of the votes entitled to be cast on a matter by the voting group constitutes a quorum of the voting group for action on the matter. It is recommended that the company create and maintain more detailed Board meeting minutes that include a role call of attending board members, and the results of any voting processes carried out by the board.

Budget

The company was able to provide budgets developed for its operations. There were notes in the board meeting regarding the subsequent year's budgets. However, the budgets were never approved by the board of directors, or made a part of the minutes of the meeting at which they are approved. It is recommended that, in future years, the board of directors of the company formally approve budgets annually by a majority vote of those directors present at the meeting.

Disaster Recovery Plan

A disaster recovery plan identifies steps to be performed in case the company loses a key employee, loses company records, or the office building was destroyed, to name a few contingencies. The company does have a formal developed disaster recovery plan. The company does backup its network daily and is stored off-site. The company does not have any procedures if a key employee was lost. It is recommended that the company establish a disaster recovery plan that will identify steps to be taken in case the company loses a key employee or loses access to company records for any reason.

Accounts and Records

The examiners noted that CSN stores the checks for its operating account, unlocked, in the company president's desk at the company. This is a material weakness in internal controls. It is recommended that all blank checks be locked in a secure area when not in use.

CSN receives an e-mail every month from Wells Fargo showing earnings on their sweep account. This statement should be kept by the company to document the account balance. The examiners were able to retrieve a copy of the statement from Wells Fargo. It is recommended that the company retain the monthly statements sent via e-mail for the Wells Fargo Repurchase Account in hard copy or electronically.

CSN was unable to provide the invoices as support for several disbursements, including several significant computer purchases made several years ago. It is recommended that the company keep copies of all invoices that they make payment on.

A check to an employee of CSN was written for an incorrect amount, and voided. The employee did not return the check, but tore it up instead. It is recommended that the company keep track of all checks that are damaged, not written, cleared or voided.

The person who carries out the bookkeeping function for CSN, including the writing of checks, keeps track of her hours by writing them on a post-it note for her own records. The company president does not review the hours. The bookkeeper writes her own paycheck, and the company president signs the check. It is recommended that the company establish procedures to review and approve supporting documentation for disbursements that may involve potential conflicts of interest, such as the situation described above, prior to cutting a check.

Company employees informed the examiners that bank reconciliations are completed on a monthly basis for the checking and zero balance accounts. At the time of the examination the company did not print and keep copies of the reconciliation reports. It is recommended that the company keep a copy of monthly bank reconciliations performed.

CSN took out a loan of $14,407.26 from Electroline, Inc. on March 30, 2000 to cover the cost of new computer equipment. No documentation for the loan existed. The examiners were able to obtain proof that the loan was repaid. It is recommended that the company maintain written agreements for all loans payable or receivable, including all documentation regarding the loan, including invoices.

The president signs disbursements from the company's two checking accounts if the amount of the check is less than $5000.00. The secretary must sign all checks in excess of $4,999.99. Checks for the operations account are cut by the company’s bookkeeper, who is married to the company’s vice president. He is able to review these checks and sign them. The checks for payment of the capitation fees are held at the company’s office. The custom is for the President to stamp the capitation payment checks to participating chiropractors with the secretary’s signature. The President then delivers a listing of the signed checks to the Secretary for his review. This process negates and circumvents the internal controls that are in place. It is recommended that the company utilize the internal controls in place for authorizing disbursements.

Prior to March of 2000 CSN contracted with Benefit Advantage, Inc. for claim data entry services. Benefit Advantage, Inc. assigned an employee to this task. In March 2000, CSN brought these tasks “in-house”. At that time the employee from Benefit Advantage, Inc. was the sole provider of health and dental coverage for her family. In order to continue her access to these benefits, CSN worked out a deal with the owner of the building where CSN rented the employees services from the building owner, which allowed the employee to participate in the owner’s health, life and dental benefits. The employee’s services were leased to CSN. The arrangement terminated at the beginning of 2001. There was no written agreement for this “lease”. It is recommended that the company have written agreements for employee services being leased to the company.

The examiners requested a listing of outstanding checks for December 2000 and January 2001. The company stated that they couldn’t do this due to the check writing program won't let them retrieve checks that go back that far. It is recommended that the company keep a list/and or copies of all outstanding checks at month end.

Furniture and Fixtures

CSN reports furniture, fixtures, application software and professional services for software development as admitted assets. It is recommended that, as of 2001, the company not include these items as admitted assets, and that they categorize them as non-admitted assets on the Annual Statement.

Accounts Payable

CSN did not report an accounts payable liability on their 2000 Annual Statement. The examiners were supplied with invoices/documentation for all disbursements paid in January 2001. Invoices that were paid in January that should have been accrued amounted to $21,852.26. Professional committee fees are reimbursements made to the Chiropractor board members for providing the services of establishing professional guidelines and quality standards, in the credentialing of applicants, and in utilization management and marketing. CSN reimburses the four members of the professional committee a total of $60,000.00 a year. Each member receives $1,250.00 per quarter and $10,000.00 at year-end. CSN reported a liability to the Professional Committee of $40,000.00 as of December 31, 2000. The last quarter payment to its members was not reported as a liability, which amounted to $5,000.00 as of December 31, 2000. It is recommended that the company create an accrual accounting system, and report expenses in the same year incurred.

Net Worth

Net Worth for 2000 for CSN was listed as ($17,582). Adjustments to Net Worth as a result of this examination consisted of increases in two liabilities. Accounts Payable was increased $21,852, and Accrued Consulting Fees was increased $5,000. These changes resulted in a Net Worth of ($44,434). This puts the company in a deficit compulsory surplus position. The President of CSN received a bonus in 2000 for $34,000, based on the successful year that the company experienced in 2000. The company had lost almost $90,000 prior to the distribution of the bonus. The bonus contributed to the company's negative net worth. It is recommended that the company take immediate steps to return it’s net worth to, at minimum, a zero balance.

VI. CONCLUSION

The examiner's review of the company's accounts led to two adjustments, decreasing Net Worth by $26,852. Net Worth after the adjustments was ($44,434).

The LSHOs letter of credit does not meet the capital and compulsory surplus requirements since the company has a negative net worth. This situation needs to be addressed immediately. The company's member enrollment increased from 1996 through 1999. However, it has decreased by 28,119 in 2000 to 109,795. At the same time, administrative expenses increased by 63% from 1996 through 2000.

The current examination resulted in 16 recommendations, the majority of which pertained to accounting records. Many of the deficiencies identified in this report related to lack of familiarity with applicable regulatory requirements for LSHO insurers.

VII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 17 - **History and Plan of Operation**—It was noted during the examination that a portion of CSN's business is comprised of a contract with Wigwam Mills, Inc. Under the agreement with Wigwam, Inc, CSN bills Wigwam each month for the premium. In this scenario CSN assumes the risk. It is recommended that, in the future, CSN should report the monthly contribution from Wigwam Mills, Inc. as premium.

2. Page 17 - **Conflict of Interest**—It is recommended that the company adopt a system for conflict of interest disclosure, that conflict of interest questionnaires be completed annually by officers, directors, and key employees, and that completed disclosure forms be retained in company records from examination to examination.

3. Page 17 - **Management and Control—**It is recommended that the company create and maintain more detailed Board meeting minutes that include a role call of attending board members, and the results of any voting processes carried out by the board.

4. Page 18 - **Budget—**It is recommended that, in future years, the company formally approve budgets by a quorum of the board of directors.

5. Page 19 - **Accounts and Records—**It is recommended that all blank checks be locked in a secure area when not in use.

6. Page 19 - **Accounts and Records—**It is recommended that the company retain the monthly statements sent via e-mail for the Wells Fargo Repurchase Account in hard copy or electronically.

7. Page 19 - **Accounts and Records—**It is recommended that the company keep records of all invoices that they make payment on.

8. Page 19 - **Accounts and Records—**It is recommended that the company keep track of all checks that are damaged, not written, cleared or voided.

9. Page 19 - **Accounts and Records—** It is recommended that the company establish procedures to review and approve supporting documentation for disbursements that may involve potential conflicts of interest, such as the situation described above, prior to cutting a check.

10. Page 19 - **Accounts and Records—**It is recommended that the company keep a copy of monthly bank reconciliations performed.

11. Page 19 - **Accounts and Records—**It is recommended that the company maintain written agreements for all loans payable or receivable.

12. Page 20 - **Accounts and Records—**It is recommended that the company utilize the internal controls in place for authorizing disbursements.

13. Page 20 - **Accounts and Records—**It is recommended that the company have written agreements for employee services being leased to the company.

14. Page 21 - **Furniture and Fixtures—**It is recommended that as of 2001 the company not include these items as admitted assets, and that they categorize them as non-admitted assets on the Annual Statement.

15. Page 21 - **Accounts Payable—**It is recommended that the company create an accrual accounting system, and report expenses in the same year incurred.

16. Page 21 - **Net Worth—**It is recommended that the company take immediate steps to raise it's net worth to, at minimum, a zero balance.

VIII. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the LSHO are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination:

Name	Title
Rebecca Easland	Insurance Financial Examiner

Respectfully submitted,

Don Gasser
Examiner-in-Charge